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Canadian Textile Industry Struggles With High Costs

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In 5 years, pineapple canning has become Thailand's most important canned fruit industry, with potential for further expansion. The industry, however, is plagued with many problems. See article, page 10.

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Canadian Textile Industry Struggles With High Costs

By JOSEPH R. BUTLER
Foreign Market Development, Cotton
Foreign Agricultural Service

THE CANADIAN textile industry—normally a buyer of over 300,000 bales a year of U.S. cotton—has faced some difficult problems during the past decade. Rising wages for textile workers have pushed up the cost of finished goods, the worldwide textile recession of 1974/75 caused a setback that has yet to be overcome completely, and a ready availability of low-cost textile imports from developing countries has raised debate over the extent to which such imports should be restricted.

So far the industry has made the changes needed to cope with such problems—including shifts to specialized products and increasingly sophisticated equipment to offset the impact of rising costs. But the question remains whether it can continue to thrive. The answer will have an important bearing on the outlook for U.S. cotton exports to Canada.

A major element in the rising cost of Canadian textiles has been the high cost of labor. In March 1975, the average hourly wage for workers in the Canadian primary textile industry, which excludes garment workers, was $3.50. Comparable salaries in the United States averaged $3.30. While the number of employees has remained near 100,000 since 1965, total salaries and wages increased from $3.9 million to nearly $7.0 million at the beginning of the worldwide textile recession in 1974. In addition, operating costs are higher in Canada than in most other countries with developed textile industries, reflecting to a large extent the high heating costs. Heat accounts for approximately 80 percent of the fuel bill for a spinning mill in Canada, whereas steam to operate the plant makes up only 20 percent. This ratio is obviously much lower in plants located in warmer climates.

A third, and possibly the most important cost element, relates to the nature of the Canadian market for textile products. Canadian consumers demand the same range and variety of textile products as their American counterparts; however, the Canadian market is only one-tenth the size of the U.S. market.

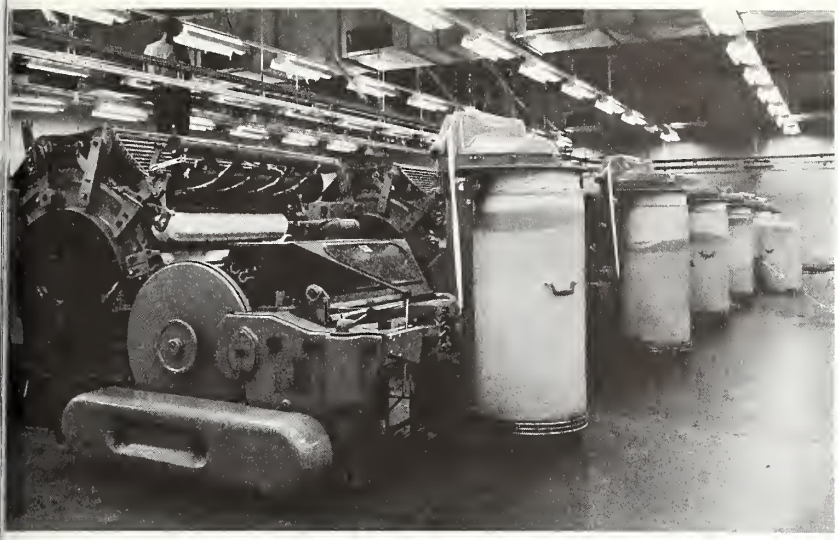
To supply the variety of goods demanded, textile manufacturers must have short production runs. These short runs, with the frequent changes necessary in the line to produce a different product, are more costly than longer runs that result in economies of scale in other countries.

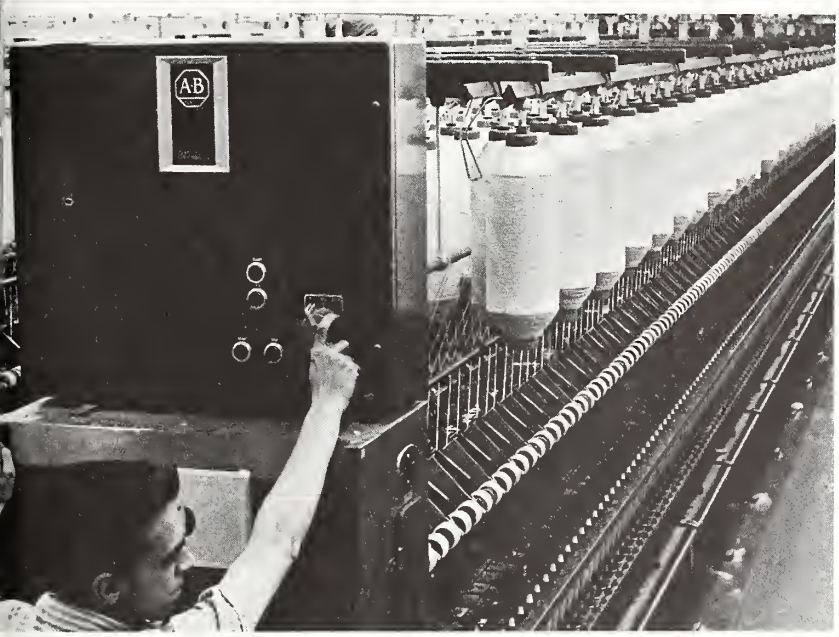
Canadian textile consumption grew from just under 600 million pounds, yarn-equivalent weight, in 1964 to over 1 billion pounds prior to the worldwide textile recession of 1974/75. The domestic industry provided approximately 90 million pounds, yarn equivalent, of the change in consumption, while imports rose by over 400 million pounds to 579 million pounds.

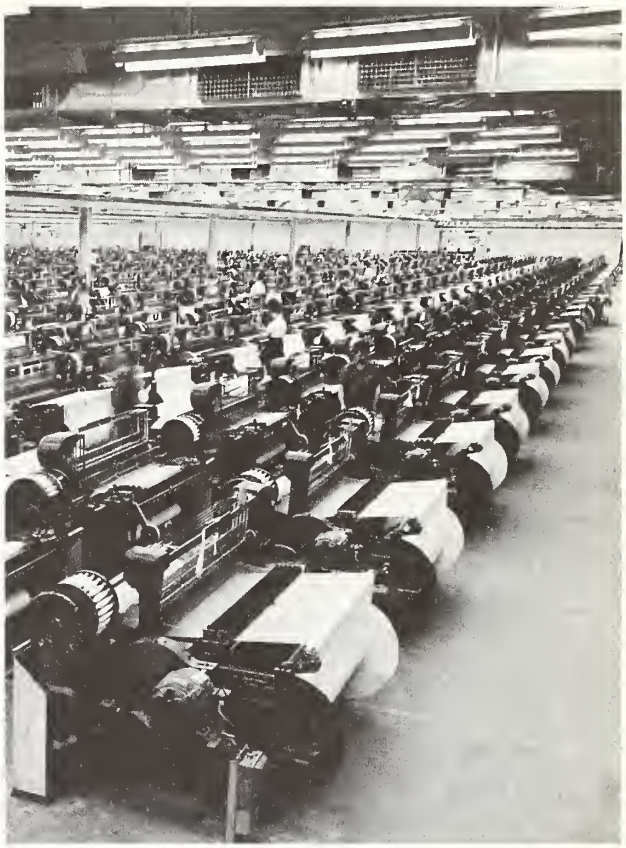
This growth carried consumption of both manmade and cotton fiber to an alltime high. A surge in consumption occurred in 1972 and 1973 just prior to the textile recession of 1974/75. And the recent shift in demand to the "natural" look has aided the cotton textile industry during its present recovery.

As a reaction to high costs, changes in demand, and greater imports, the cotton sector of the primary textile industry has undergone many changes. Cotton and cotton-blend production has been highly concentrated, with 88 percent of all spindles and 93 percent of all looms owned by the three largest firms in 1969. This characteristic has held in the 1970's, although diversification and integration of production within the firms have taken place.

One of the firms has responded to pressures from increased labor costs by closing down certain lines of production that it finds no longer economically feasible and concentrating more on denim production. The firm is the largest producer of denim in Canada and is riding the current tide of consumer demand for this type of fabric. The firm







At mill of Canada's largest producer of cotton textiles and products, cotton is combed and carded (top left), spun into yarn (left), and woven into fabric (above). Modern, highly mechnized operations such as these help offset competition from textile firms in developing nations where cheap labor abounds.

has also begun to import some finished fabrics for resale at the consumer level. This method allows the company to take advantage of lower cost imports while concentrating production on goods that it can produce competitively for domestic consumption.

Another firm—the largest producer of cotton and cotton-blend fabrics—has recently acquired control of a firm located in the United States. This gives the company production and marketing facilities in Europe, South America, and the United States. It will be possible to produce certain goods at a lower cost outside of Canada and import them for sale, thereby bolstering the firm's competitive position within the domestic market.

These leading denim- and cotton-producing firms have both acquired open-end spinning frames. This equipment is the newest, most important recent development in yarn spinning, allowing faster production of yarn and increased machine productivity.

While noted technical problems associated with open-end spinning have been overcome, the mills state that the quality of yarn has at least been maintained and in some cases improved. However, open-end spinning is presently restricted to the production of coarse-count yarns and is not now applicable to use in finer fabrics.

Perhaps the most important characteristic of this process to the Canadian industry is that it allows a more efficient use of manpower which, as indicated, is so costly.

Cotton is not produced in Canada so the firms must rely on imports for this raw material. Consequently, they are very conscious of world cotton prices. The proximity of growing regions in the United States gives U.S. cotton a competitive advantage in transportation cost over other growths. As a result of this advantage, traditional trade relationships, and the historical preference for U.S. cotton, the United States normally supplies 85 to 90 percent of Canada's raw cotton needs. These requirements averaged about 325,000 bales annually prior to the textile recession of 1974.

The last 2 years have seen imports of U.S. cotton decline, however, as a result of the textile recession, greater textile imports, and high prices of U.S. cotton. The worldwide textile recession of 1974/75 resulted in a decreased demand for end products, thus reducing the mill usage of cotton. Since the U.S. textile industry began recovering from this recession earlier than other countries, the strengthening home demand pushed the

prices of U.S. cotton above those for comparable foreign growths during the first half of the 1975/76 marketing year.

As a result of these influences, the Canadian cotton textile industry used less than 300,000 bales of raw cotton in 1974/75 for the first time since 1960. Another poor year is seen for 1975/76, since total Canadian cotton imports are not expected to exceed 275,000 bales, with the U.S. share at around 215,000 bales or about 78 percent of the total.

The Canadian Senate's Standing Committee on Banking, Trade, and Commerce completed lengthy hearings on the problems of the textile industry in which they heard testimony from both the primary textile interests and the garment industry representatives. The primary textile industry recommended greater restrictions on imports, while the garment industry opposed any import restraints.

While these hearings were being held in the Senate, the House of Commons Standing Committee on External Affairs and National Defense also conducted a study that may have eventual repercussions in the textile trade. The Committee recommended to the Canadian Government that it drop its barriers against low-cost manufactured goods from developing countries.

THE SENATE Committee, on the other hand, concluded that the Government should more fully implement a 1970 policy that would provide greater protection for the textile industry. The Committee prescribed a wide-range cure that includes stiffer import barriers such as import surtaxes and making more textile imports subject to import licensing.

The Canadian Government moved quickly to provide increased protection for the textile and clothing industry by announcing increased restrictions on specific imported goods and closer monitoring of other textile trade items. It is too early to predict the precise nature of any additional industry adjustments to these actions, but their importance to the industry cannot be overemphasized.

In view of these latest actions by the Canadian Government in favor of the textile industry, it is expected that demand for raw cotton should rebound to above the 300,000-bale level, with the U.S. share adjusting back up to 85-90 percent.

India Changes Cotton Rules

THE GOVERNMENT of India recently issued a series of regulations designed to insure sufficient stocks for the cotton industry and to slow down the rise in domestic cotton prices—a steady uptrend apparent since the middle of March that has intensified in recent weeks, according to Oldrich Fejfar, U.S. Agricultural Officer in Bombay.

The measures are intended to reduce cotton stocks held by mills, tighten credit controls, and ban cotton waste exports. The Government is also stepping up its cotton imports.

The Government has already asked the Textile Commissioner to take steps to limit the size of cotton stocks held by mills and now there are reports that present stocks may be dropped even lower, depending on individual cases.

Bombay and Ahmedabad mills cannot have stocks of more than 2 months' consumption, compared with the 3-month limitation allowed earlier. Stock limits for mills in Assam, Orissa, West Bengal, and Bihar have been reduced to only 3½ months from the previous 4½ months. Other mills are restricted to a 3-month limitation from the 4 months allowed previously, while the cooperative mill limit is fixed at 4½ months' consumption, down from the previous 6 months.

Mills in possession of stocks above these limits will not be allowed to make further purchases until their supplies fall below the new levels. Physical checks will probably be made to insure that the mills comply with the stock limitations.

The Governments of cotton-growing States have been directed to carry out physical verifications of cotton stocks, no matter their size, Fejfar reports. It has also been stated that penal measures would be taken against traders found holding cotton stocks larger than prescribed or not at reasonable levels.

There is suspicion by some that traders had deliberately withheld supplies of cotton in expectation of higher prices. Some observers are also looking askance at Maharashtra's Cotton Procurement Scheme and the unexplainable shrinkage of supplies in this major cotton-growing State.

Simultaneous with the Textile Commissioner's announcement, further limiting the size of mill cotton stocks, was another by the Reserve Bank of India that it was drastically changing advances on both ginned and unginned cotton. Inventory levels at which bank advances may be given, based on normal margins, have been substantially reduced and for additional stocks the margins have been increased.

Thus in the case of mills in Bombay and Ahmedabad, where previously existing margins were 25 percent for stocks adequate for 12 weeks' consumption and 50 percent for excess stocks, the current margins are now 25 percent for stocks of only 4 weeks' consumption and 45 percent for excess stocks.

For mills under the National Textile Corporation, the margins have been set at 20 percent for consumption stocks of 6 weeks and 35 percent for excess stocks, a change from the earlier figures of 20 percent for stocks of 12 weeks' consumption and 35 percent for excess stocks.

In the case of mills in Bihar and West Bengal, margins have been changed to 20 percent for stocks adequate for 8 weeks' consumption and 40 percent for excess stocks.

Mill advances in other areas have been changed to 25 percent for stocks of 6 weeks' consumption and 45 percent for excess stocks, against 25 percent for stocks of 14 weeks' consumption and 50 percent for excess stocks, Fejfar said.

Mills engaged solely in spinning yarn have a revised margin of 20 percent for stocks of up to 6 weeks' consumption and 35 percent for excess stocks.

To conserve whatever usable cotton is available internally, the Indian Government ban on exports of soft cotton waste was enacted under an Export Control Order dated July 13, 1976. This ban is in addition to an earlier one, effective at the end of May, on exports of yellow pickings staple cotton. Foreign sales of both cotton types will be barred until December 31, 1976, except in the case of firm contracts entered into with foreign buyers on or before July 13 and registered with the Office of the Textile Commissioner in Bombay within 10 days of the ban order's issue date. In some cases involving export commitments by

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Sees little change in 1976

French Oilseed Industry Ends 1975 in Gloomy Mood

FRENCH oilseed and edible oil producers are looking back on 1975 as a year of gloom and are somewhat pessimistic about the current season. Total 1976 oilseed production is expected to stay near the low 1975 level because of reduced plantings.

In 1975, planted area was down and total oilseed production was far below the average for the five previous seasons. French crushers bought less rapeseed, whose production is steadily declining, because of the poor reputation rapeseed oil has among consumers. And the prospect of France's becoming an important producer of soybeans seems less and less feasible, although planted area in 1976 may be about double the 1975 level.

Utilization of oilseeds by the French crushing industry dropped by 23 percent to 1.16 million tons in 1975 and consumption of edible oils and meals declined because of the economic setback. However, imports of oils and meals were not seriously affected by the recession as the consumption cutback was at the expense of domestic production of seed oils.

The United States was France's major source of soybeans and soybean meal, but its sales of both dropped, while Brazil's rose.

The slow sales of domestic oilseeds caused yearend stocks to climb.

Production. Production of **rapeseed** is still suffering the effects of an anti-erucic acid movement by French consumers and the 1975 rapeseed crop was only 480,000 tons,[1] compared with an average outturn of 670,000 tons during the four previous seasons. Estimated rapeseed planted area was around 301,000 hectares divided between the winter and spring crops, but only about 261,000 hectares were harvested.

Because of the gloomy atmosphere, plantings of 1976-crop winter rapeseed were about 20,000 hectares less than those in the previous year, but the spring planted area remained about the same. However, growing and planting conditions in the early part of 1976 were better than during the previous campaign and this year's total rapeseed production could reach 520,000 tons.

Erucic acid content of rapeseed is expected to continue to decline and may average less than 5 percent during 1976.

The 55,000 hectares planted to **sunflowerseed** for 1975 gave excellent yields and total production is estimated at around 100,000 tons.

Despite sunflowerseed oil's good reputation, the volume sold during the first half of the 1975 campaign was about the same as the previous year's. Stocks at the end of calendar 1975 jumped to 60,000 tons, compared with 28,000 tons at the same time in 1974.

Plantings for the 1976 season are expected to range between 50,000 and 55,000 hectares with a possible production of 70,000-80,000 tons.

Following an earlier trend, **flaxseed** area for oil production is down from the previous year's level. The French Ministry of Agriculture reports that in 1975, 20,300 hectares were planted, producing 28,400 tons of seeds.

For the 1976 season, plantings are currently expected to be near the 20,000-hectare mark.

Soybean plantings were low in 1975, between 1,900 and 2,300 hectares, and despite favorable growing conditions, total production is only expected to reach 4,500 tons. Plantings in 1976 are expected to be some 4,000 hectares.

Foreign trade. Total **exports** of oilseeds slumped dramatically from 289,000 tons in 1974 to 76,000 tons in 1975. This drop was caused by a drastic decline in rapeseed exports that plummeted from 258,000 tons the year before to 47,000 tons in 1975. Shipments went to other European Community countries, which took about 26,000 tons of rapeseed, and Algeria with purchases of 20,000 tons.

Between 1974 and 1975, total vegetable oil exports mounted from 262,000 tons to 298,000 tons, spurred by larger peanut oil exports (44,000 tons in 1975 compared with 12,000 tons the year before) and sunflowerseed oil (up from 9,000 tons to 20,000 tons). Exports of other traditional oils were stable. Among these were 119,000 tons of rapeseed oil—a slight drop from 122,000 tons in 1974—and 81,000 tons of soybean oil during both 1974 and 1975.

Because of decreasing activity of the French crushing industry, its total meal exports dropped from 189,000 tons in 1974 to 150,000 tons in 1975. Major exports were 65,000 tons of rapeseed meal (compared with 89,000 a year earlier); soybean meal, 23,000 tons (versus 27,000 tons); and peanut meal, 13,000 tons (versus 18,000 tons).

Lower crushing industry profit margins and the fall in consumption of seed oils caused a 20 percent slash in oilseed **imports** during calendar 1975 to 804,000 tons.

Imports of nearly all oilseeds were affected by the decreased activity, particularly soybean imports that were off 26 percent from 564,000 tons to 416,000 tons, largely reflecting reduced crushings by France's major processor at St. Nazaire. This production cut caused the share of soybeans in total oilseed imports to drop to 51 percent from 56 percent a year earlier. Soybean imports from the United States slumped by 33 percent to 328,000 tons, while shipments from Brazil rose 3.5 times to reach 85,000 tons, 20 percent of the French supply. Imports of most other oilseeds were also affected, with those of peanuts and sunflowerseed each dropping 19 percent to 185,000 and 22,000 tons, respectively.

Imports of only two oilseeds advanced in calendar 1975. Rapeseed imports rose to 39,000 tons, but still retained only a minor share of French oilseed imports. Copra imports climbed by 30 percent to 64,000 tons.

TOTAL French imports of vegetable oils were about the same as the previous year's despite the slump in seed oil consumption that caused the drop in crushings of domestic seeds. The 1975 oil import total of 539,000 tons was about the same as the previous year's 534,000 tons, but there were some changes by category. For the first time in several years, peanut oil imports increased—by 26 percent to 179,000 tons.

Imports of soybean oil continued to rise to 90,000 tons, but the climb was at a slower rate. Soybean oil is imported from Belgium, Luxembourg, West Germany, and the Netherlands.

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[1] **All tons are metric.**

Japan's Farm Aid Ups Competition For U.S.

By BRUCE L. GREENSHIELDS
Foreign Demand and Competition Division
Economic Research Service

THE UNITED STATES long-standing dominance of the big Japanese feedgrain and soybean markets may face increased challenges in coming years as a result of Japanese foreign aid to agricultural projects in Brazil, Thailand, Indonesia, and other developing nations.

This agricultural assistance accounts for only a small share of Japan's total foreign aid program. However, its potential impact on U.S. farm trade is heightened by the stress placed on products that are directly competitive wih U.S. feedgrains and soybeans exported to Japan. And much of the assistance is going to nations that already have proven they can supply Japan with some of its import needs.

Last year, U.S. shipments of feedgrains and soybeans to Japan together totaled $1.6 billion, 73 percent of all such imports by Japan and 52 percent of U.S. farm sales there. Japan, in turn, ranked as the leading single-country market for U.S. feed ingredients.

A number of Government agencies are involved in the implementation of Japan's foreign aid programs.

The Export-Import Bank of Japan is a public corporation established in 1951 to encourage export and import financing and direct investment financing in overseas markets. The Bank is involved in all types of export and import transactions and provides loans and credits to both developed and developing countries.

The Overseas Economic Cooperation Fund (OECP), a public corporation established in 1961, extends loans and credits on concessional terms to programs and projects that the Export-Import Bank finds difficult to finance. The objective of the Fund is to contribute to industrial development and economic stabilization of the developing countries.

The Japan International Cooperation Agency (JICA) was established in August 1974 as an amalgamation of the Overseas Technical Cooperation Agency (OTCA) and the Japan Emigration Service (JEMIS). The OTCA was in charge of sending experts to and receiving trainees from the developing countries, while the JEMIS was concerned primarily with Japanese emigrants. The new agency performs both these functions and also provides financing for social development and for development of agriculture, forestry, and mining and manufacturing industries.

In addition, there are many Government-affiliated organizations concerned with economic and technical assistance. Among these are the Institute of Developing Economics, the Japan Foundation, the Japan Petroleum Development Corporation, and the Metal Mining Agency of Japan.

The principal aim of Japan's foreign aid to agriculture is to secure imports of animal feed from developing countries, or at least to increase world production enough to hold down prices. The extent to which these programs will adversely affect the U.S. share of Japan's food imports is a major concern to many U.S. producers who depend on exports to Japan to maintain the efficiencies derived from large-scale production. Because of exports to Japan and other foreign markets, which enable U.S. agriculture to operate at an efficient size, U.S. consumers enjoy relatively low food prices.

Japan's direct foreign aid to agriculture accounts for only 6-7 percent of the total flow of aid to developing countries, but other aid projects contribute to agricultural production and export capacity through infrastructure improvement. For example, in Brazil—where 750,000 Japanese reside—Japan is aiding Government programs to modernize ports, inland transportation, and rural electrification.

Japan's foreign aid projects directly related to agriculture include:

Brazil. Japan is assisting a 50,000-hectare (1 ha=2.471 acres) pilot project whose eventual aim is to produce soybeans and corn on 130 million hectares of frontierland in the Brazilian States of Goias, Mato Grosso, and Minas Gerais. In addition, 50 Japanese agricultural technicians will be dispatched over a 5-year period to help develop soybean and corn production in the Ribeira River Basin, a swampy lowland area of 894,000 hectares south of São Paulo.

Already, Brazil is a stiff U.S. competitor in world soybean markets and a rising competitor on corn markets—trends likely to accelerate as Japanese-assisted production expands. For instance, Japan this year is expected to boost its purchases of Brazilian soybeans more than fivefold over the 44,000 metric-ton level of 1975.

Indonesia. Near Lake Tempe in South Sulawesi Province (Celebes Island) is a 15,000 hectare project to open the region to modern agriculture through irrigation, drainage, flood control, and roadbuilding and to establish a farm-equipment lending center and storage facilities for corn—the major crop to be grown there.

Another project, assisted by the U.N. Food and Agriculture Organization (FAO), as well as Japan, aims at introducing crops on 20,000 hectares of land in the Pulitanpropa area 200 kilometers south of Palembang City, Sumatra Island.

A BEEF cattle development project in the Tanojung area of south Kalimantan is a part of the Indonesian Government's drive to develop inner Kalimantan by improving the pastureland and setting up a beef cattle producing center on 20,000 hectares of land in the Negara River Basin. In addition to Japan, the World Bank has given priority to development of Indonesia's livestock industry and West Germany has shown interest in the project.

Another 5-year development project involves the building of oil-palm orchards, construction of an oilseed crushing plant, and establishment of a seedling nursery and a technical guidance center on 5,000 hectares in central Sumatra Island.

Also, JICA will furnish aid to develop a corn-production plan in Lampung Province; to draw up a plan for raising and fattening beef cattle on a model ranch in eastern Kalimantan and to subsidize the construction of a silo for grain export use at Tandjungkarang Port in Lampung Province, under joint management with local capital.

Thailand. Japan's producer organizations are planning to furnish funds to Thai corn producers for fertilizer, agricultural chemicals, and other production materials and to build storage facilities at the producing centers in cooperation

with Thai organizations. JICA will furnish funds for construction of these facilities and will send technicians.

Mexico. Japan is financing a project to create corn and soybean producing centers on 20,000 hectares of land in the San Fernando area, Sinaloa Province, along the Pacific coast of northwestern Mexico.

In addition, JICA will conduct surveys on extensive cow-calf operations in the northern part of Mexico, and on corn and sorghum production possibilities.

Argentina. JICA will conduct basic surveys for use in drafting a plan for establishing dry storage facilities, increasing production, and collecting and purchasing corn and sorghum.

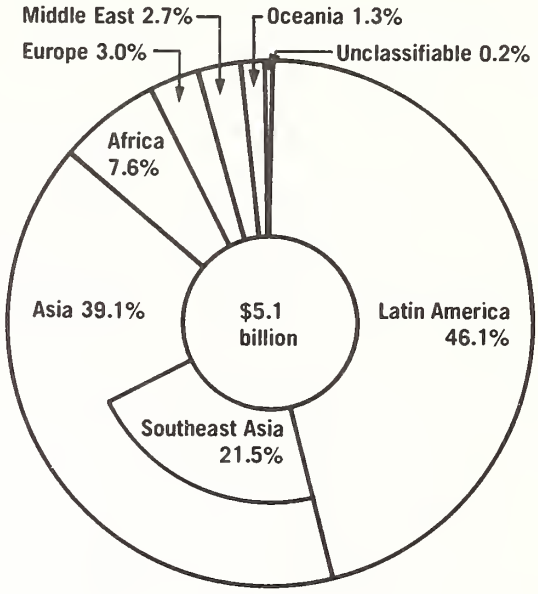
Laos. Japan is assisting the Phon Huong Area Agricultural Development Project, which is aimed at consolidating irrigation facilities on 7,500 hectares of land in the Nam Chien River Basin. Basic surveys were completed in 1967 in connection with the construction of the Nam Ngum Dam.

Malagasy Republic. A Japanese-supported project focuses on development of a beef cattle complex along the coast of Malindi Bay in Madagascar. JICA will make loans and send technicians to establish an integrated operation, including breeding, fattening, slaughter, freezing, and processing.

Philippines. A corn production project is underway on Palawan Island on 20,000 hectares in the Nara area, northeast of Puerto Princesa. Japan has completed surveys of the area.

Australia. Although it is a developed country, Australia is receiving technical assistance and loans from Japan for the construction of warehouses for oats storage and a 20,000-ton capacity port elevator for sorghum.

GEOGRAPHICAL DISTRIBUTION OF JAPAN'S FOREIGN AID IN 1973/74[1]



[1] Excludes grants, capital subscriptions, and loans to mutilateral agencies by the Government ($245.8 million); multilateral agency portfolio investment ($490.4 million); and grants by private nonprofit organizations, ($6.8 million). Direct investment in agriculture accounts for 6-7 percent of the total.

Source: Japan Ministry of Foreign Affairs

JAPAN RELEASES WHITE PAPER ON TRADE

The Ministry of International Trade and Industry (MITI) has issued its 1976 annual report on Japan's international trade. The report states that Japan, the third largest trading nation in the world, should promote fair trade competition among nations by assisting developed countries in a disadvantageous trade position and to cooperate with other advanced countries for promotion of free trade. The report shows that during 1966-75, world trade increased 4.8 times, while Japan's exports rose 6.6 times and imports 7.1 times. Some of the major points in the report are:

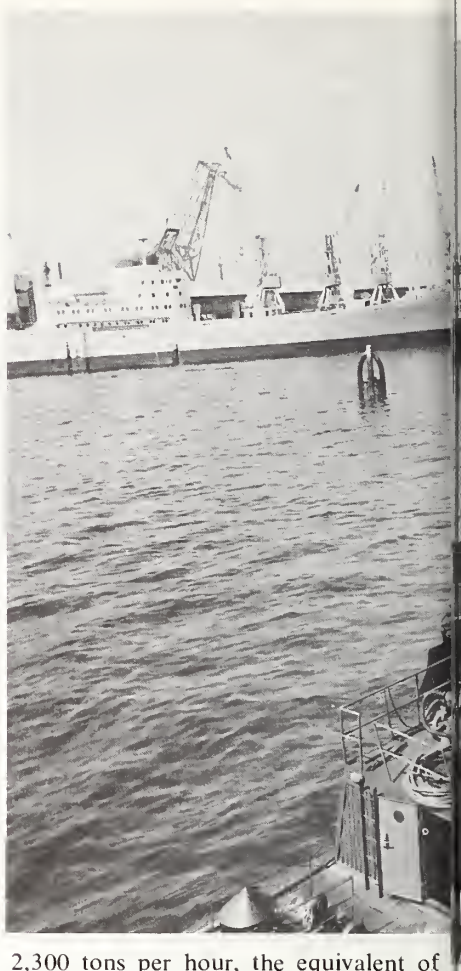
- Japan should continue to remain committed to the free trade principle in line with the General Agreement on Tariffs and Trade (GATT).
- Japan is required to increase its economic assistance to developing countries since Japan maintains close economic relations with them. In 1975, imports from developing countries amounted to 54 percent of all imports while exports to developing countries amounted to 50 percent of total exports from Japan.
- Because of the change in Japan's trade structure, the share of textile exports in Japan's total exports fell from 30.2 percent in 1960 to 12.5 percent in 1970. However, the share in total exports of machinery, including ships and automobiles, rose from 25.5 percent to 46.3 percent during the same period.
- In 1975, Japan depended on imports for 95.9 percent of its wheat supply, 96.4 percent of its soybeans, 100 percent of its wool and raw cotton, 64.2 percent of its lumber, 99.6 percent of its iron ore, and 99.7 percent of its crude oil.
- In 1975, Japan's per capita annual imports of foods, industrial raw material, and fuel were valued at more than $500. During 1975, the average household spent about $300 on imported foods, or about 15 percent of its total food expenditures.
- During 1975, Japan imported $48.7 billion of primary products, which represented 84.2 percent of its total imports. Japan imported 6 percent of its total primary products from developing countries, 35 percent from advanced countries, and 5 percent from centrally planned countries. Japan's trade with centrally planned nations is expected to rise rapidly in coming years.
- During 1970-75, rising labor costs in Japan and higher prices for imported primary products raised the production cost in the manufacturing industries by 41.8 percent compared to similar increases of 22.9 and 20.8, respectively, for the United States and West Germany. As a result, Japan's price competitiveness in foreign markets fell during this period.
- Japan's total overseas investments as of the end of 1975 totaled $15 billion, the fourth largest in the world after the United States, the United Kingdom, and West Germany.

—Based on report from

LARRY F. THOMASSON
U.S. Agricultural Attaché, Tokyo

Port of Hamburg: Vital Link For U.S. Grains, East Europe

By JON E. FALCK
Assistant U.S. Agricultural Attaché
Bonn



THE PORT OF Hamburg, Europe's second largest port, provides U.S. transshipments of grain with a vital link to trade with the German Democratic Republic (GDR) and other key East European markets.

The capacity of the Port of Hamburg to handle bulk agricultural products such as grains, oilseeds, and feedstuffs has grown dramatically in recent years, rising over 70 percent from almost 7 million metric tons in 1970 to an estimated 12 million tons in 1975. The 1975 turnover of 12 million tons (incoming and outgoing shipments) in Hamburg is almost four times the combined 1974 turnover of all the other major West German ports of Bremerhaven, Bremen, Emden, Lubeck, and Kiel.

The largest single grain unloading operation in Hamburg's history took place in 1975 with the arrival of an 80,000 ton vessel carrying grain and feedstuffs. When the current project for deepening the channel of the lower Elbe is completed in mid-1977, Hamburg will be accessible to ships carrying up to 110,000 tons.

Some 85-90 percent of bulk agricultural commodities is handled by an association of major grain handlers called the Arbeitsgemeinschaft Hamburg Umschlagsbetriebe. The association is comprised of five major elevator firms with unloading and storage facilities and two floating elevator firms with 14 floating rigs. This group has a combined ship unloading capacity of 10,000 metric tons per hour, and storage capacity of 537,000 tons.

In addition, oilseed and grain processing firms have their own silo facilities, giving Hamburg a total storage capacity of over 1 million tons, by far the largest in Europe. In contrast, silo storage capacity in the Baltic ports of Kiel and Lubeck together amounts to roughly 140,000 tons.

Hamburg is of major importance as a receiving point for West German imports of grains, oilseeds, and feedstuffs. In addition, the port is well located to service a number of North and East European markets.

Hamburg's dramatic growth in handling of bulk agricultural products has been due in large part to the increase in transit trade of goods destined for Eastern Europe and Scandinavia.

For grain transshipments, the single most important destination is the GDR, and the United States is the major grain supplier. The most recent official data on transshipments show that U.S. grain shipments to the GDR via Hamburg in calendar 1975 were 1.9 million tons, 63 percent above those of 1974.

The most dramatic increases began in September 1975 and appear to be continuing. In December alone, 518,000 tons of U.S. grain were transshipped to the GDR.

The reason for this development is that crop shortfalls in the Soviet Union and other nations in the Council for Economic Mutual Assistance (Comecon), whose member nations include Bulgaria, Czechoslovakia,, the GDR, Hungary, Outer Mongolia, Poland, Romania, and the USSR, have caused the GDR to turn increasingly to the West, particularly to the United States, as a source of supply. As of June 14, 1976, total export commitments reported by U.S. exporters were about 2.4 million tons of wheat and corn. Current estimates indicate that the GDR may need to import up to 4 million tons of grain in 1975/76.

RAIL MOVEMENT is the most used means of transporting grain from the port of Hamburg to the GDR. Each of the five large firms belonging to the Arbeitsgemeinschaft has rail facilities.

The loading capacities of each firm vary from 250 to 600 tons per hour. Thus, a unit train with an estimated capacity of 1,000 tons can be loaded in 2 hours at a firm with a loading capacity of 500 tons per hour or within 4 hours at one with a capacity of 250 tons per hour. The combined rail-loading capacity of these five firms is 2,300 tons per hour, the equivalent of 2.3 unit trains per hour.

Grain firms indicated that 20 to 25 grain trains depart the Hamburg port on a busy day. During the 3 months from September through November 1975, rail shipments of grain from Hamburg to the GDR amounted to almost 700,000 tons, almost as much as during all of calendar 1974. The U.S. portion of these 1975 shipments is estimated at 80-90 percent.

The major rail route from Hamburg to the GDR is via Buechen, about 35 miles southeast of the port. The capacity of this single-track route is officially rated at 24 trains per day maximum. Other rail routes cross the border further south at Vorsfelde (East of Hannover) and at Helmstedt.

Current grain freight rates at Buechen are roughly DM13.40 ($5.36) per ton versus DM32.00 ($12.80) to Vorsfelde. Thus, for the East European buyer, Buechen is the preferred route for economizing on scarce, hard currency.

There is an additional border charge of about DM15 ($6.00) per rail car at all border crossings. Total rail freight cost per ton from Hamburg to Buechen

then is about DM 14.00 ($5.60).

It is likely that some of the grain transported by rail via Buechen and other points continues on to end users in southern Poland and Czechoslovakia via the Comecon rail system.

In addition to rail movements, some grain transshipments from Hamburg to the GDR are made in barges moving up the Elbe River and crossing into the GDR at Lauenburg. In 1974, these shipments amounted to 267,000 tons. Also in 1974, some 300,000 tons of grain were moved by coastal vessels from Hamburg to the GDR.

This year, the rail freight rate and border charge are expected to increase substantially. It is reasonable to expect that the route over Buechen would remain the preferred rail route, although changes in the freight rates could alter the pattern of transport as between rail, barge, and coaster.

No matter which mode of transport becomes dominant, the Port of Hamburg, with its tremendous grain handling facilities, seems certain to remain the key center for transshipments of U.S. grains to the GDR, and, to some extent, to other important East European markets.

FAS Cooperators' Seminar Focuses on Widening Markets

U.S. agricultural exporters need to raise their sights to take in the whole world if they are to achieve further rapid growth in overseas sales, according to David L. Hume, Foreign Agricultural Service Administrator.

Speaking at a July 22 meeting of the trade groups that cooperate with FAS in overseas market development, Mr. Hume said that most U.S. overseas promotion of farm products is still centered in Western Europe, even though many of the more promising markets now lie outside Europe. "Last year for the first time since 1613 Western Europe became the second largest U.S. market for farm products," Hume said. "Asia was the first."

He emphasized that despite the seemingly bleak marketing prospects now in many developing countries, the potential is there. To illustrate, he referred to the widely held view of the 1950's that Spain would always be a developing country, unable to pay cash for U.S. farm products. Last year, Spain was the eighth largest U.S. farm market, taking $776 million worth—all for cash. Similarly, Mexico and South Korea have gone from P.L. 480 markets to this country's 6th and 11th largest cash markets, respectively, in 1975.

Yet 60 percent of U.S. Government market development funds are still spent in Europe and Japan, Hume said.

He added that cooperators increasingly are picking up the bill for market development, with their share of joint FAS/cooperator overseas promotion expenditures rising from 48 percent in 1965 to 63 percent of the $40 million for joint promotion outlays last year. Much of this increase is coming from cooperator groups in foreign countries who are well aware of the benefits to be gained from U.S. market development programs.

Highlight speaker at the meeting was Secretary of Agriculture Earl Butz, who said that agricultural trade is most productive when free market forces are allowed to operate naturally, as they are today. When the Government has to get into the business of buying, storing, and selling surplus farm products, he said, the United States becomes a residual world supplier.

He emphasized that U.S. farmers are more and more dependent on the world market, with nearly one in every three acres now produced for export. For instance, he said, only about 700 million bushels of the prospective 2-billion-bushel wheat crop this year will go for domestic consumption. Foreign markets will have to be found for the rest.

Julian Heron, chairman of the trade committee overseeing the Cooperator Council's interests in the Geneva multilateral trade negotiations, outlined areas of the negotiations that are of major interest to U.S. agriculture.

One of these is the formula to be used for cutting tariffs. The United States has proposed a formula that takes advantage of its statutory authority to cut duties by up to 60 percent. The European Community (EC), on the other hand, has proposed a harmonization formula that would reduce a duty by its own rate four times; thus a 20 percent duty would be cut by 20 percent in four stages. The United States would apply cuts to all products (except for some specific exceptions) while the EC would apply its formula only to industrial products. Since most of the high EC duties are on farm products, Heron said, the EC proposal would have the greatest impact on non-EC markets.

Heron stressed that the negotiations at Geneva are just a small part of the overall picture. Simultaneous consultations are going on in the United States at the Government and grassroots levels, providing all the input for what actually takes place in Geneva. And these will be affected by factors such as industry efforts to seek import relief and the results of some so-called "301" complaints against other countries that the United States feels have violated the rules of the General Agreement on Tariffs and Trade (GATT).

Such complaints have been lodged against the EC subsidies on wheat flour and barley malt, the EC nonfat dry milk (NFDM) regulation that requires the use of NFDM in animal feed at the expense of imported U.S. soybeans, and the proposed EC tax on soybean oil.

Thailand's Pineapple Output Gains Despite Problems

By PANIDA RATAPANACHOTE
Office of U.S. Agricultural Attaché
Bangkok

THAILAND'S production and exports of canned pineapple have skyrocketed since 1970, and currently this is the country's most important canned fruit product, accounting for roughly 90 percent of the volume of all canned fruit produced in the country. Production and exports could be still higher, but in fact, problems of fruit shortages, shipping costs, and labor supply keep actual production 50 percent below processing capacity.

Current 1975 figures show production of canned pineapple in Thailand at 3 million cases (24 cans, 20-oz size) and exports at 36,942 metric tons. However, the total canned pineapple production capacity of the six major canning plants is estimated at 6.5 million cases per year.

Only 25 to 30 percent of the capacity of manufacturing plants is being utilized, owing to shortages of pineapple: it takes 1 ton of fresh pineapple to produce 24 cases of canned pineapple. With production goals for 1980 set at 6 million cases, over 250,000 tons of fresh fruit will be required annually.

Despite the rapid growth of pineapple canning and exporting in Thailand—since 1970 the export quantity increased almost three times, while the value increased more than six times—the canners face many problems.

The most aggravating problem is the chronic shortage of fruit. Although it is possible to grow pineapple for canning yearround, Thai formers are content to plant their crop only during the traditional season. Pineapple production—though up 66 percent in 1974/75 to 803,720 tons from the year earlier level—could have been much higher and consequently, production of canned pineapple could have risen by more than the 1975 gain of 46 percent realized.

As a result of traditional planting methods, the greatest amount of fruit is available from May to July, while for the rest of the year there is almost no fruit to process. To compensate, the canners must operate their own plantations to ensure a supply of fresh fruit throughout the year.

Another problem is the size of fruit required by the manufacturing plants. Thai farmers are accustomed to growing large, golden pineapples which satisfy the fresh fruit market. However, domestic consumption—mostly of fresh fruit—is only 5 percent, and the canning plants want fairly small, relatively green fruit. Canners are now trying to persuade farmers to harvest their crops early, so the fruit will not be too large, avoiding high wastage.

Shipping cost is another industrial problem, affecting the competitive advantage of exports. Freight rates, in particular, for the routes to Europe and the East Coast of the United States are on the rise. The freight rate for canned pineapple shipped to Europe rose from $27.85 per cubic meter in 1972 to $42.05 per cubic meter in 1975. The shipping cost from Thailand to the East Coast of the United States increased from $70.85 per metric ton in 1975 to $91.35 per ton in 1976. This increases the delivered cost of canned pineapple, giving Thailand a disadvantage when competing with other canned pineapple-producing countries. The two greatest Thai competitors currently are Taiwan and Malaysia.

Despite these shipping cost increases, Thailand's exports of canned pineapple rose 25 percent in 1975 to 36,942 tons, valued at $17.1 million, although the increase was far below the 111 percent jump in exports between 1973 and 1974.

THE UNITED STATES was Thailand's biggest canned pineapple export market in 1975, purchasing 20,687 tons —56 percent of total exports, and 89 percent above the previous year's figures of 10,964 tons.

Other export markets in 1975 include West Germany, 7,758 tons (21 percent); Spain, 2,955 tons (8 percent); Canada, 1,847 tons (5 percent); and Japan, 1,478 tons (4 percent).

Right, workers harvesting pineapples in Thailand. Below, ripe pineapples ready for processing at the canneries.

Another problem facing pineapple canners is employment of labor, as pineapple canning must compete with the rice harvesting season for labor supply. Added costs accrue when middlemen must be hired to act as employment agencies to find workers for the plants.

Pineapple canning is a relatively young industry in Thailand. The first Thai manufacturer of canned pineapple, the Thai Pineapple Canning Industry (TPC), started operation in 1967, and currently has the highest production capacity, 2.6 million cases annually.

Between 1970 and 1975, five additional canning companies were established.

Among the five different types of canned pineapple produced—sliced, chunks, tidbits, pieces/crushed, and juice—sliced pineapple is the most popular and commands the best price. Consequently, the six major canners produced as much sliced pineapple as possible in order to satisfy the inter-

national demand.

If current problems can be dealt with, Thailand's canned pineapple industry will have a long and prosperous future, with extremely rapid growth. The solution is not a simple one. It involves changing traditional farming practices to include new technology so that canners can operate at full capacity, and overcoming the problem of freight rates.

One bright note was the opening of the European Community (EC) market to unlimited amounts of canned sliced pineapple from Thailand, effective January 1, 1976. Also, for the first time, the EC is offering a special tariff reduction on the import of canned sliced pineapple, reducing the import duty from the normal rate of 22 percent to 15 percent. Import duties for other types of canned pineapple were also reduced from the normal rate of 22 percent to 12 percent. However, the quota for imports of other types of canned pineapple was set at 30,000 metric tons.

Indian Tobacco Exports To Hold Steady in 1976

INDIA'S export of tobacco leaf in calendar 1976 appears likely to hold at the 1975 level of 78,000 metric tons, based on the probable continuation of large volume shipments to the USSR, and preferential access to the European Community (EC) market, effective this year.

Domestic sales and production of cigarettes are expected to pick up during 1976, the result of recent reductions in the cost of several low-priced brands of cigarettes and some improvement in the overall economic situation.

India's tobacco production this year, plus opening stocks, are considered adequate to meet both domestic requirements and export needs. Imports of high-quality blending tobacco authorized to cigarette companies for export production are expected to remain relatively insignificant.

The USSR has already placed orders with Indian exporters for the supply of 14,000 tons of leaf in 1976, and, as in previous years, the USSR is expected to continue as the largest buyer of Indian cigarettes in 1976.

India is also a major beneficiary of the enlargement this year of the EC's import quota on unmanufactured tobacco from developing countries. The quota (increased by about 25 percent to 38,000 tons) applies to imports of flue-cured tobacco valued at under $1.50 per pound from India and other countries eligible for preferential access under the EC's General System of Preferences (GSP).

Imports within the quota pay a duty of 10.5 percent, or less than half the most-favored-nation rate. Imports under the quota are allocated among EC members. India is expected to supply most of the 61 percent share allocated to the United Kingdom. The EC's move to reduce further its GSP tariff rate and expand the quota will strengthen India's competitive position vis-a-vis the United States in the EC market.

India's exports of unmanufactured tobacco during calendar 1975 are provisionally valued at $113 million—up 10 percent from the previous year's. Volume, however, was down 3 percent from the 80,484 tons exported in 1974.

Shipments to the United Kingdom, India's leading leaf tobacco customer in most years, declined from 28,670 tons in 1974 to 23,200 tons in 1975—a drop of 19 percent. Shipments of unmanufactured tobacco to Bangladesh, Belgium, Bulgaria, France, Saudi Arabia, and Somalia were also lower than in 1974.

Much of the decline in exports to these countries, however, was made up by larger shipments to the USSR—up 23 percent to 20,100 tons in 1975 from 16,317 tons in 1974—and to Italy—up 55 percent. Exports to Hungary, the Republic of Ireland, the Netherlands, Ivory Coast, and Japan were also larger in 1975.

Exports of manufactured tobacco, including cigarettes, during 1975 are tentatively valued at $3.4 million, against $2.02 million in 1974.

There has been no change in the existing tariff on imports of leaf tobacco for domestic consumption and tobacco products; imports of both leaf and tobacco products continue to be embargoed with the exception that cigarette and cigar exporting companies are allowed to import up to 10 percent of the f.o.b. value of their exports.

Based on information from Government and industry sources, production of all types of tobacco in 1975/76 is estimated at 380,000 to 400,000 metric tons, compared with last year's production of 394,000 tons.

India's production of cigarettes during calendar 1975 totaled approximately 60 billion pieces, down 4.5 percent from the 62.4 billion produced in 1974. The decline is attributed to the continuing slack demand following the imposition of higher excise duties during the year. Production of filter-tipped cigarettes, however, increased from 9.03 billion pieces to 10 billion pieces in 1975.

Government sources continue to estimate the combined annual production of cigars and cheroots at roughly 3 billion pieces, and that of beedies (indigenous cigarettes with tobacco wrapped in a nontobacco leaf) at around 250 billion.

—Based on a report from
ROBERT C. TETRO,
Acting U.S. Agricultural Attaché,
New Delhi

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FOREIGN AGRICULTURE

French Oilseed Industry

Continued from page 5

Coconut oil imports mounted by 200 percent to 47,000 tons, mostly imported through other European Community countries.

Despite reduced use of compound feeds, total French meal imports remained relatively stable at 1.865 million tons in 1975, compared with 1.827 million the previous year. Among the various meals, imports of peanut meal rose by 24 percent to 245,000 tons and those of linseed meal increased by 40 percent to 69,000 tons.

Total soybean meal imports decreased slightly to 1.499 million tons, compared with 1.513 million the previous year. The share of soybean meal also decreased slightly from 82.8 percent of total meal imports in 1974 to 80.3 percent a year later.

Imports of U.S. soybeans were 844,000 tons, compared with 185,000 tons from Brazil. But the U.S. share dropped 17 percent between 1974 and 1975 while the Brazilian share rose by 230 percent. —Based on report from *Office of U.S. Agricultural Attaché Paris*

Corrections. "USSR Buys U.S. Soybeans," page 6, August 2, 1976. Figure in line 1 should read 2.0 million metric tons; in line 4, 500,000 tons. Second to last paragraph, last line, add "in State facilities."

Indian Cotton Rules

Continued from page 4

the Government, exports may be made with the specific approval of the Ministry of Commerce.

There are some who believe that because yellow pickings staple cotton is similar to cotton waste, some of the former type of cotton could have been exported under the waste category at a time when domestic needs were receiving priority, Fejfar noted. Behind the earlier ban on yellow pickings staple cotton exports was the cotton's spinnability and the belief it should not be sent out of the country in a time of scarcity.

To contain domestic prices within reasonable limits, the Cotton corporation of India (CCI) had purchased by the end of July about 87,000 bales of cotton under the Government's May 1976 decision to import about US$39 million worth of cotton in 1976. Arrangements have already been made by the CCI to import about 34,000 bales from the United States, with the balance coming from Tanzania, Mexico, Turkey, Afghanistan, and Iran.

The CCI has also finalized the import of 22,000 bales from the Soviet Union under a bilateral trade agreement, with an expected total of 55,000 bales. Additionally, negotiations are reportedly underway between India and Sudan to import the balance of some 5,000 bales of cotton under last year's trade pact.

To further ease the cotton supply position, the Government has approved the import of about 5,000 metric tons of polyester fiber.

The Government's actions are apparent indications that the Indian cotton crop was much lower than originally expected. They also indicate the Government's determination to hold the price line at a reasonable level. At the same time, they indicate need for a closer review and greater cooperation among various producing and consuming interests to eliminate the wide disparity in cotton production estimates that, during the current crop year, ranged from a high of nearly 6.9 million bales (480 lb net) to a low of 5.2 million bales.

Even as the Government was announcing its measures to slow rising cotton prices, Fejfar noted, there was a favorable break in the weather and the monsoon revived vigorously in nearly all major cotton producing areas of India. This—plus the Government's restrictions and imports—should, at least for the time being, relieve the upward pressure and cotton prices should stabilize, although near their present relatively high level. Quotations as of July 21—for the first time in a number of weeks—revealed a slight reduction in prices of from 1-6 percent.

As far as the 1976/77 cotton crop is concerned, the present high price levels indicate that growers may be tempted to expand, at least slightly, the area under cotton. The rainfall has given rise to expectations of a normal cotton crop of 5.6-6.0 million bales. However, the monsoon must remain normal.

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